Canadian Crude Separators Inc.

EXPANDING *our* POTENTIAL

Annual Report 1997

Canadian Crude Separators Inc. (CCS)

is an oilfield service company, operating two distinct businesses: the Treatment and Disposal division and the Concord Well Servicing division. We own and operate 11 licensed oil treatment and waste disposal facilities and a fleet of 19 well servicing rigs. Our strategic advantage is our proximity to our client base, which includes over 500 customers in western Canada's oil and natural gas exploration and production sector.

After an exceptional year which exceeded our expectations, we are pursuing an aggressive strategy of expanding existing markets and offering a wider range of services to meet our customers' growing needs.

CCS trades on the The Toronto Stock Exchange and the Alberta Stock Exchange under the symbol "CCR".

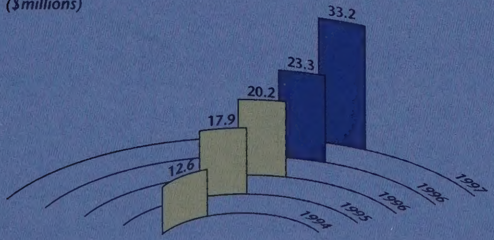
FINANCIAL HIGHLIGHTS

($000s except per share amounts)	12 months ended December 31, 1997	12 months ended December 31, 1996 (unaudited)	8 months ended December 31, 1996*
Revenue	33,162	23,272	15,525
Net income (loss)	4,159	(697)	603
Per share (basic)	0.46	(0.08)	0.07
Funds from operations	7,852	4,018	2,726
Per share (basic)	0.86	0.45	0.30
EBITDA	9,408	4,565	3,212
Per share (basic)	1.04	0.51	0.36
Capital expenditures	21,161	8,874	6,385
Long-term debt	6,947	10,070	10,070
Shareholders' equity	30,584	9,519	9,519
Number of common shares outstanding	9,531,406	8,985,626	8,985,626

** Effective December 31, 1996 the company changed its year end from April 30 to December 31.*

Revenue

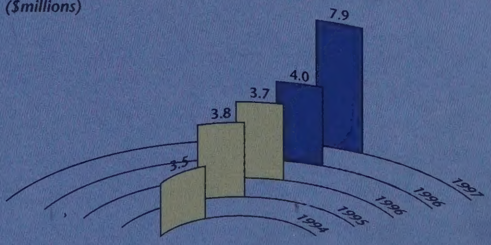
($millions)



Revenue increased more than 40 percent in 1997 as CCS opened new treatment and disposal facilities and expanded its fleet of well servicing rigs.

Funds From Operations

($millions)



Fund from operations of $7.9 million in 1997 represented 24 percent of revenue compared to 17 percent a year ago, reflecting improved margins in both divisions of the company.

12 months ended April 30

12 months ended December 31

We are **moving forward** aggressively with a plan to expand our opportunities through **strategic growth**, sound management and consolidating our position as a **dominant player** in both divisions.

From left to right

David Werklund
Chairman of the Board and Chief Executive Officer

Alec McDougall
President and Chief Operating Officer

Canadian Crude Separators Inc. is pleased to announce record results in 1997. We increased net income dramatically and our shareholders saw significant growth in the value of their investment. These results can be attributed to a buoyant energy industry, our competence in our areas of operation and management's sound growth strategies.

YEAR IN REVIEW

Since entering the public market in 1993, CCS has experienced steady growth each year. We increased the volume of activity last year, aggressively pursuing our growth strategy by constructing new treatment and disposal facilities and expanding our fleet of well servicing rigs. High utilization of Concord equipment and record throughput at our Treatment and Disposal facilities resulted in excellent profit margins throughout the year.

Beyond industry drivers, both our divisions prospered during 1997 as a result of important internal changes, the continuing strength of the relationships we have established in the oil and gas sector in western Canada and the recognized expertise within our areas of business.

1997 saw internal restructuring at CCS. Alec McDougall joined the CCS team as our new President and Chief Operating Officer, while Dave Werklund, founder of CCS, retained the positions of Chairman of the Board and Chief Executive Officer. Mr. McDougall brings to our company 25 years of environmental engineering experience and a reputation as a successful manager. He is leading the management team by introducing systems to reduce costs and assist in bottom-up management practices. These changes in management show a commitment to managing CCS' new stage of rapid growth to bring the company to new levels of service and profitability. We are confident the company's shareholders will be the beneficiaries of the efforts of the new team.

In 1997 we embarked on a capital expenditure program of over $20 million which included expansion of the Concord servicing rig fleet, enhancing internal efficiencies in the division, constructing facilities in the Treatment and Disposal division and upgrading services and facilities in both divisions. In December we raised $16 million through the issue of special warrants which greatly reduced our debt load and strengthened our balance sheet. This financial strength positions us to capitalize on opportunities in the upcoming year and beyond.

Our future growth is built on the expertise we have accumulated during 14 years of operations in the Western Canadian Sedimentary Basin. The insight provided by our employees in our two divisions gives us a competitive advantage by arming us with knowledge that enables CCS to be among the first to see a market opportunity.

A review of the activities in our two divisions throughout the year will provide shareholders with a clear picture of the dynamism within our organization.

TREATMENT AND DISPOSAL

CCS provides a valuable service to oil producers in western Canada by handling the wastes generated by oil production, thus enabling producers to focus on their business of finding and producing oil. As environmental regulations become more stringent, the industry relies on CCS for its increasing waste disposal needs.

Our investments in the division in 1997 positioned us to expand into previously unserviced areas and capture new market opportunities. In 1997 we greatly increased the volume of wastes treated and processed at our plants over 1996.

In July we expanded our custom treatment and waste processing services in northwestern Alberta with the completion of a crude oil treatment and oilfield waste processing plant in Fox Creek. This facility provides access to a previously unserviced area. In October, we opened a salt cavern waste disposal facility at Unity, Saskatchewan, in the heart of the active Lloydminster heavy oil production area. The Unity salt cavern offers our clients a method to dispose of heavy oil wastes with a chemical-free waste disposal process whereby waste solids and liquids can be disposed of in an environmentally safe manner. The Unity facility provided CCS with excellent profit margins in 1997 and the technology will continue to provide CCS with opportunities in 1998 and beyond. We consider this facility and the technology to be long-term investments which will prepare CCS to service the waste disposal needs of heavy oil producers, well into the future.

Throughout the year we continued to upgrade our plants for improved health, safety and environmental performance.

Our two new facilities bring the number of CCS treatment and disposal facilities servicing the Saskatchewan and Alberta energy industry to 11. This division accounted for 60 percent of our revenue in 1997.

CONCORD WELL SERVICING

In the Well Servicing division, our equipment utilization reached over 90 percent during 1997. Production activity in the division's area of activity is increasingly weighted towards natural gas, and at year end approximately 70 percent of the fleet was operating on natural gas projects. To capitalize on the active oil and gas industry in western Canada, we acquired seven service rigs and related spare equipment inventory. The acquisition brought the Concord Well Servicing fleet to a total of 19 rigs. Based in Valleyview and Edmonton, the rigs service the areas surrounding the communities of Slave Lake, Grande Prairie, Fox Creek, Edmonton, Edson and Whitecourt.

The expansion of our fleet has reaped significant revenue to date and created greater operating efficiencies through economies of scale. The division accounted for 40 percent of our total revenue in 1997.

INDUSTRY OVERVIEW

In 1997 the oil and gas industry in western Canada had an exceptional year, reporting record levels of drilling and enjoying strong oil and gas prices for the majority of the year. At the same

Our **reputation** for quality service is built on the knowledge and experience of our **dedicated employees**.

time, producers complied with increasingly stringent environmental regulations and stepped up treatment and disposal of wastes generated from their wells. The price differential between light oil and heavy oil increased during the year, prompting some producers to shut in production until the price differential decreases. Natural gas drilling and production are expected to continue to grow in the Western Canadian Sedimentary Basin as proposed pipelines come on stream, providing new market opportunities and a positive outlook for prices.

The key industry factors driving our growth in 1997 were the increased levels of oil and gas production and the number of oil and gas wells drilled. Both of our divisions continued to be affected primarily by production levels and to a lesser extent by drilling activity. Our Concord Well Servicing division achieved over 90 percent equipment utilization while all our Treatment and Disposal facilities saw services in high demand due to record levels of oil production and new industry regulations governing the treatment and disposal of oilfield wastes.

CCS intends to carry out a capital spending program of $20 million in 1998. Approximately a quarter of these funds will be directed toward upgrades and maintenance and the remainder slated for growth opportunities in both divisions. This will include the construction of a service and maintenance facility for the Well Servicing division to reduce external maintenance costs. In Treatment and Disposal, a new landfill will be built near Fox Creek, allowing us to better service one of our core areas and increase the efficiency of our operations in northwestern Alberta. In addition, we intend to expand the capacity of our salt cavern facility at Unity. While heavy oil drilling in the short-term has slowed, we view our activity as a long-term investment and are confident heavy oil economics will improve.

CCS is in expansion mode, **building** on already **strong** customer relationships and forging new ones to increase profits in both **divisions**.

OUTLOOK

CCS is in expansion mode, building on already strong relationships and forging new ones to increase market share in both divisions. Our new management team is poised to take us into 1998 and beyond, with an eye to increasing market share in our core businesses with an emphasis on the existing geographic areas of operation.

Concord has already started to increase focus on natural gas activity in our areas of operation and we will continue to develop this market. Industry forecasts indicate strong natural gas demand and increased drilling and production to meet the new pipelines slated for completion in 1999.

In our Treatment and Disposal division, we will emphasize expanding our market in the Western Canadian Sedimentary Basin, which is currently not fully serviced. This provides CCS with considerable expansion potential through both the construction of new facilities and acquisitions, plus the opportunity to expand landfill disposal, deep well disposal, emulsion treatment and salt cavern disposal.

Research and development in the Treatment and Disposal division is crucial to our success and we must continue to develop new technologies to enhance our cost effectiveness and supply new services to our customers. We will continue to dedicate financial and human resources to identify and evaluate innovative technologies to enable us to deliver more efficient and diverse services.

Our intention is to continue expanding our potential by developing internal expertise and leadership, maintaining our strategy of acquiring well servicing rigs and constructing treatment and disposal facilities. We foresee adding to our exist-

ing services, growing our technology in the Treatment and Disposal division and retaining our focus on our core market areas in Alberta and southwestern Saskatchewan.

IN SUMMARY

In February 1998 we listed on The Toronto Stock Exchange (TSE), a move that signifies our maturity as a public company. Our listing on the TSE will increase our exposure to the investment community and improve CCS' access to capital, allowing us to aggressively pursue our strategy of growth and acquisition.

It is with a great deal of optimism and energy that we approach the new year. We thank all our clients for their continued support and we assure our shareholders their confidence in the company is well founded. We look forward to continuing to share our success with all our shareholders and employees.

Our **knowledge** of the oil industry, consistent performance within the environmental community and ability to be the first company to see a **market opportunity** make up our competitive advantage.

OUR PEOPLE

CCS values the contribution of our exemplary workforce of nearly 300 employees to our ongoing success. CCS expects its workforce to take ownership in the company and has developed its corporate culture based on that guiding principle. We believe we can best conduct our business through a flat organization of empowered workers, and have instilled leadership capabilities in our employees. CCS is able to transfer the benefits of operating a flat organization to shareholders and clients as we are able to maintain cost efficiencies due to the performance of our people, allowing us to realize excellent customer service and high productivity.

We offer ongoing training and skills upgrading to employees in an effort to provide quality service to our clients. Employees share in our success through a company-sponsored share purchase plan.

We recognize the value of our employees and thank them for their superior performance in the past year. We extend this recognition to our management team as well.

We take this opportunity to welcome Brian Evans to our Board of Directors. Mr. Evans is a lawyer and partner at Cook Duke Cox in Calgary. His credentials include terms as Minister of the Environment and Attorney General in the Alberta government. We value his expertise and contribution to the Board.

On behalf of the Board of Directors,

Alec McDougall
President and Chief Operating Officer

David Werklund
Chairman of the Board
and Chief Executive Officer

February 24, 1998

We provide environmentally responsible **solutions** for **managing** our clients' waste, allowing them to concentrate on their **business** of finding and **producing** oil.

Don Babb
Vice President, Operations Treatment and Disposal Division

Treatment and Disposal Division

Canadian Crude Separators was built on the strength of our crude oil custom treating, beginning with the construction in 1984 of a prototype custom treatment facility at La Glace, Alberta.

Today, eight CCS facilities in Alberta and three in Saskatchewan treat and dispose of crude oil and related solids and waste fluids. We provide environmentally responsible solutions for managing our clients' waste, allowing them to concentrate on their business of finding and producing oil.

CCS' competitive advantage in the area of treatment and disposal is our expertise built over 14 years in the industry. The oil industry in western Canada recognizes the company's skills and values our track record in offering treatment and disposal solutions. The potential for increased competition in the field is limited because of the high cost of entering the treatment and disposal services industry. CCS' revenue is not dependent directly on the number of new wells drilled as we process waste from producing wells. This shields us from short-term downturns in the industry.

All oil production creates waste streams requiring treatment and disposal. However, heavy oil generates a higher proportion of waste than light oil. As light crude oil reserves in western Canada decline, producers will place more emphasis on heavy oil exploration and production.

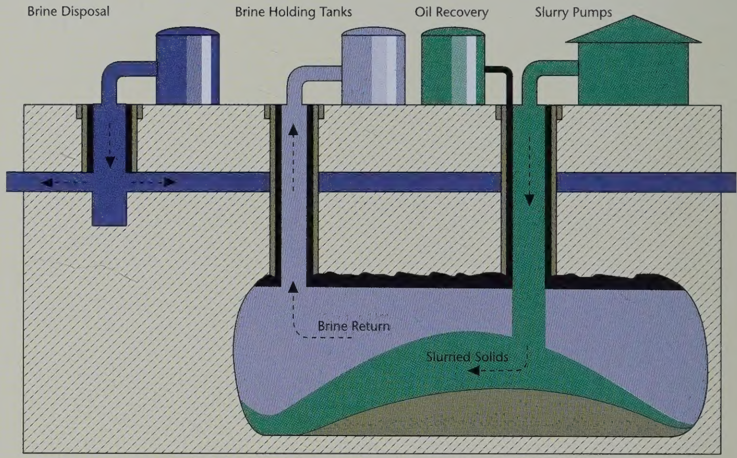
As with other production in the energy sector, heavy oil is affected by cyclical fluctuations in price and demand. CCS is increasing its exposure to the heavy oil industry as a long-term strategy and is confident the current downturn in heavy oil production is temporary and the sector will improve with proposed upgrades to transportation. It is estimated that over 300 billion barrels of heavy oil and bitumen exist in Alberta and Saskatchewan. We offer diverse waste treatment and disposal services for the entire western Canadian oil industry, further ensuring our survival in the event of an industry downturn.

Increasingly stringent environmental regulations are leading the industry to take a proactive approach to waste management, and oil and gas producers are searching for waste disposal alternatives that offer safe, cost-effective and environmentally responsible solutions for the long term. CCS provides solutions for managing our clients' waste, allowing them to concentrate on their business of finding and producing oil.

Our long-term **strategy** is to continue to build new facilities to service a larger **market area** and to develop new technologies to **reduce** our costs.

SALT CAVERN FACILITY

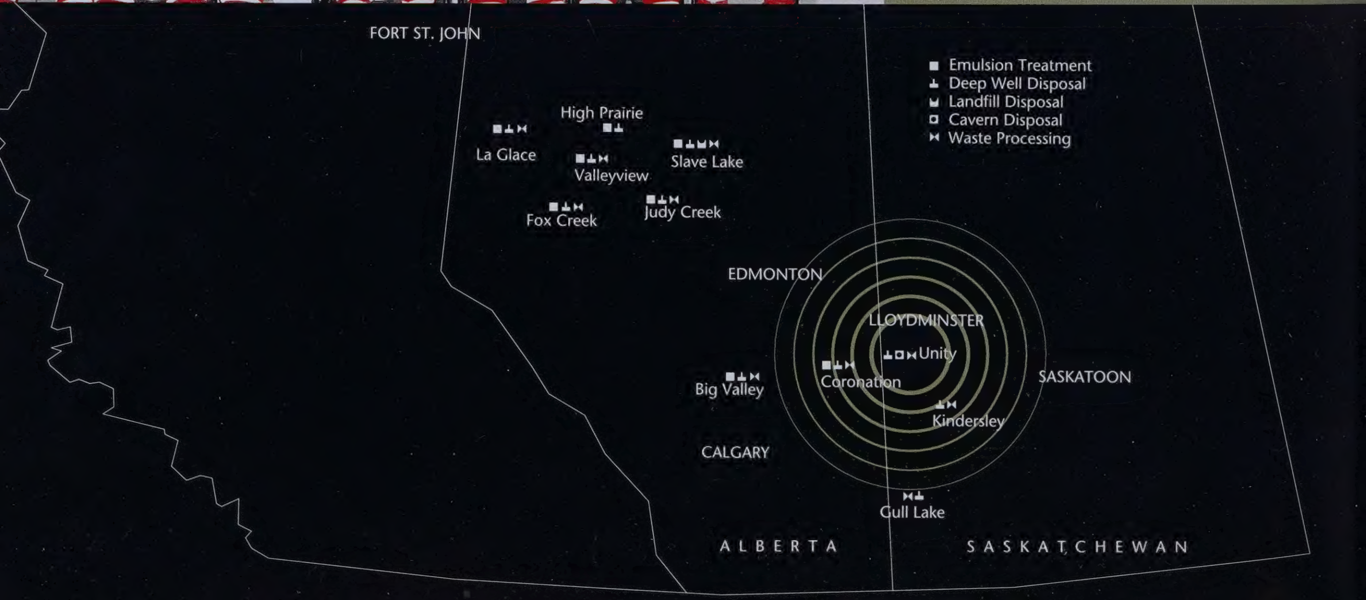
CCS' newest licensed waste treatment facility is the salt cavern at Unity, Saskatchewan. The salt cavern offers the advantage of a chemical-free waste disposal process capable of processing high volumes of material. Solids can be disposed of in an environmentally-safe manner with subsequent recovery of saleable oil.



Waste solids are injected into the cavern, where a natural separation process occurs. Solids settle at the bottom of the cavern and oil rises to the top, where it is recovered and treated for sale.

CCS IN THE COMMUNITY

In 1997 CCS continued its long-time tradition of supporting the communities where we do business. Our employees were actively involved in raising money for charities such as the Canadian Cancer Society, the Canadian Diabetes Association, STARS Air Rescue and the United Way. In Valleyview, the company sponsors and coaches a minor hockey team.



PROVIDING SOLUTIONS TO WASTE DISPOSAL

In October 1997, CCS opened a salt cavern disposal facility in Unity, Saskatchewan. This is our most innovative solution to heavy oil waste. The facility accepts solid wastes containing non-dangerous levels of contaminants directly from producers and from CCS' existing waste processing plants. Customer response has been strong and CCS is poised to benefit from increased heavy oil production in the Lloydminster area in the long term.

CCS opened the Fox Creek treatment and waste disposal plant during the third quarter of 1997. The facility is located in our core area where oilfield activity remains buoyant and where only a portion of the market is serviced. We opened the facility to enhance our accessibility to local producers, improving on our ability to provide cost efficient service.

The Fox Creek facility is one of 10 CCS waste processing plants receiving waste products containing a combination of oil, water and solids. The wastes are treated with heat and chemical additives which allow enhanced separation into three main streams - recoverable oil, waste fluids and solids. Recoverable oil is then treated and shipped to market. Waste fluids are injected into CCS' deep wells for disposal. Processed residual solids are disposed of at CCS landfill disposal sites or the salt cavern.

Nine of CCS' facilities offer the emulsion treatment process, whereby oil is received from the waste processing plants or directly from customers, processed further and shipped to market via pipeline on behalf of customers. The emulsion treatment process offers a cost-effective means for oil producers to move production from the well into the pipeline.

All of CCS' 11 waste treatment facilities offer deep well disposal services. Waste fluid from CCS plants or from clients are injected into deep disposal wells which are licensed to receive a wide variety of oilfield and industrial liquids.

CCS owns and operates a landfill disposal system near Slave Lake, Alberta, licensed to receive solid wastes containing non-dangerous levels of contaminants from our waste processing plants and directly from producers. All wastes are pretreated and must meet stringent regulatory requirements prior to disposal. Ongoing environmental monitoring is conducted to mitigate future risks and exposure.

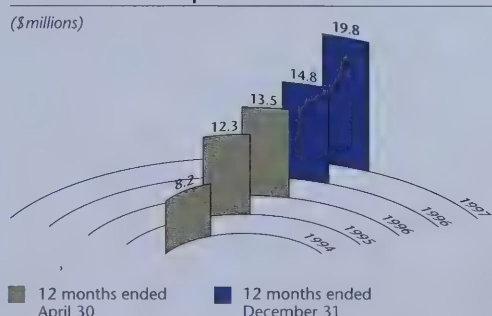
OUTLOOK

CCS is well positioned to expand our current market share through sound management and an aggressive growth strategy. We are in expansion mode, concentrating on moving into new areas in western Canada to offer our services where it is economically feasible.

Our long-term goals are to provide more services to clients, continue to build new facilities to service a larger market area and develop new technologies to reduce costs.

Increasingly **stringent** environmental regulations in the oil and gas sector translate to **future business** opportunities for CCS.

Treatment and Disposal Revenue



A new waste treatment facility in Fox Creek and a salt cavern in Unity contributed to record sales for the Treatment and Disposal division in 1997.

The **advantage** of our well servicing division is Concord's geographic accessibility. The **acquisition** of seven additional rigs in 1997 **increased** that advantage.

Gordon Vivian
Vice President and General Manager Concord Well Servicing Division

Concord Well Servicing Division

The Concord Well Servicing division owns and operates 19 well servicing rigs throughout north central Alberta and northeastern British Columbia.

The strength in our well servicing division is in the expertise of our people and geographic accessibility to our clients. This division provides contract oilfield services including well completions, workovers, swabbing and abandonment. Concord brings newly drilled wells on stream, enhances production in producing fields and reworks mature wells.

Concord's competitive advantage is our geographic proximity to oilfield operations, creating easy access and increased cost efficiencies for clients. As a locally-centered company, Concord offers field specific expertise to clients and is better able to retain experienced workers. The division boasts a staff turnover well below industry average.

The Concord Well Servicing division works synergistically with the Treatment and Disposal division, providing valuable insights into the oil and gas industry and helping set growth strategies. This allows CCS to identify market opportunities early on, benefiting both divisions. Both divisions have long-established reputations in the Alberta oilfield and their affiliation is mutually beneficial.

Concord Well Servicing produced record results in 1997 due to the buoyant oil and gas industry in western Canada. The division is leveraged to producing wells which provides some protection in the event of an industry downturn. In addition, our services are increasingly being utilized by natural gas producers, which will further shield the division from industry fluctuations. Natural gas drilling and production is forecast to increase to accommodate new pipelines coming on-stream. The growth in the division in 1997 positions us to capture future opportunities.

In November 1997 Concord added seven service rigs and related spare equipment inventory to the existing fleet, expanding Concord's client base and area of operations. All operations, management and rig crews were transferred with the acquisition, creating minimal disruption of service.

As technology improves, allowing for increased production from existing wells, producers are optimizing production in their wells and require Concord's workover services.

OUTLOOK

The 1998 outlook for the energy sector calls for continued new drilling activity which Concord can capitalize on with our well completions services. In 1998, our capital expenditure program includes

Based in Valleyview, Alberta, Concord Well Servicing operates a fleet of 19 service rigs throughout Alberta and northeastern British Columbia. The company offers contract oilfield services to the oil and gas industry, bringing newly drilled wells on stream and enhancing the productivity of mature wells. Concord grew rapidly in 1997 due to strong activity in the oil and gas sector and the addition of seven rigs. The division is well positioned to continue its strong performance in 1998 due to increasing natural gas related activity in its operating area.

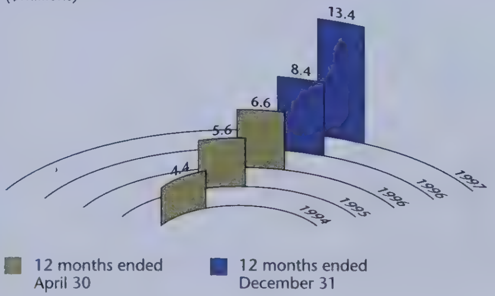
Our two divisions **work synergistically,** providing us with **valuable** insights into the oil and gas industry and helping us establish our **growth** strategies.

$1 million for a servicing and maintenance facility for the division to achieve cost efficiencies.

Concord's growth strategy includes continued evaluation of suitable acquisitions to strengthen market position. The division is building a strong foundation in order to increase market share and expand geographical area, services and client base through acquisitions. Improved marketing of our services to expand our client base further enhances the division's expanding potential.

Concord Well Servicing Revenue

($millions)



An expanded fleet of service rigs and increased equipment utilization resulted in a 60 percent increase in revenue for Concord in 1997.

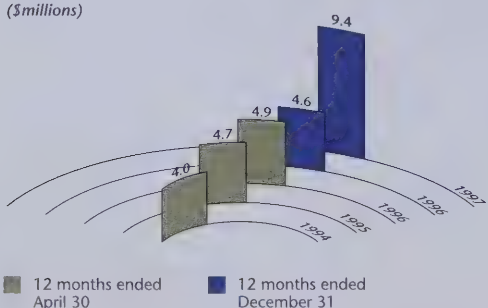
Net **income increased** dramatically in 1997 over the previous year. We expect **sales** and **margins** to continue to **improve** due to high production levels and further **efficiency** improvements.

From left to right
Rene Arsenault
Vice President, Marketing
Robert German
Vice President, Finance
Alec McDougall
President and Chief Operating Officer
Don Babb
Vice President, Operations Treatment and Disposal Division
David Werklund
Chairman of the Board and Chief Executive Officer
Gordon Vivian
Vice President and General Manager Concord Well Servicing Division

The year ended December 31, 1997 saw the company grow substantially in both absolute size and profitability. Revenue rose 43 percent to $33 million and earnings reached an all-time company high of $4.2 million.

EBITDA

($millions)



Growth in earnings before interest, taxes, depreciation and amortization (EBITDA) outpaced growth in revenue and cash flow in 1997, reflecting the company's improving profitability.

OVERVIEW

In this discussion we have provided financial results for the year ended December 31, 1997, which is the first full year since the company changed year ends to December from April. For comparative purposes, we have calculated results for the year ended December 31, 1996 which are presented to show a truer picture of year-over-year growth. These are unaudited numbers. We have also compared the 1997 results with the eight month period ending December 31, 1996.

Following this discussion, we have also provided comparative results for the eight month period ended December 31, 1996 with the year ended April 30, 1996.

Canadian Crude's financial performance is affected by a number of factors, in particular the seasonality of our work. The majority of the company's equipment maintenance work is undertaken in the summer months while the period from January to March is one of high volumes and revenue for both divisions of the company.

RESULTS OF OPERATIONS

($000s except per share amounts)	**12 months ended December 31, 1997**	12 months ended December 31, 1996	Percentage Change*	8 months ended December 31, 1996
		(unaudited)		
Revenue	**33,162**	23,272	43	15,525
Operating margin	**12,147**	6,687	82	4,580
Funds from operations	**7,852**	4,018	95	2,726
Net income (loss)	**4,159**	(697)	697	603
Net income (loss) per share	**0.46**	(0.08)	675	0.07

** Percentage change compares the 12-month periods ending December 31, 1996 and December 31, 1997.*

Revenue of $33.2 million for the 1997 year represents a 43 percent increase over the 12-month period ended December 31, 1996. The increase in revenue resulted from higher volumes being processed at the company's treating and waste facilities and the addition of assets. New waste processing assets were commissioned at the La Glace site in late 1996. The Fox Creek plant was opened in July 1997 and the Unity cavern facility began operation in October 1997. Concord Well Servicing also experienced higher utilization rates in 1997 over 1996 and increased the size of its drilling fleet from 10 to 12 units in November 1996 and to 19 units in November 1997.

CCS' operating margin as a percent of revenue increased from 30 percent and 29 percent for the eight- and 12-month periods ended December 31, 1996 to 37 percent for the 12-month period ended December 31, 1997.

Net income also increased in conjunction with operating margin. Net income increased to 12.5 percent of revenue for the 12 months ended December 31, 1997 compared to 3.9 percent of revenue for the eight months ended December 31, 1996. The 1997 increase is the result of the $1.8 million gain on the sale of two producing oil wells and other surplus equipment. Excluding the impact of this gain, net income in 1997 was $3.1 million or 9.3 percent of revenue.

Funds from operations before changes in working capital increased to 23.7 percent of revenue for the 12 months ended December 31, 1997 from 17.6 percent of revenue and 17.3 percent of revenue for the eight and 12 months ended December 31, 1996.

EBITDA Per Share

($)

CCS shareholders saw EBITDA per share double during 1997, more than offsetting the impact of a six percent increase in the number of common shares outstanding.

Return on equity for the 12 months ended December 31, 1997 was 30.4 percent after considering the impact of the gain on sale of assets compared to 6.6 percent for the eight months ended December 31, 1996.

Strong financial performance in 1997 was the result of contributions from both the Treatment and Disposal and the Well Servicing divisions. Increased volumes and rig utilization resulted in the realization of improved economies of scale across the company. In addition, considerable effort was made to review all work processes with the view to improve the efficiency of operations.

EXPENSES

($000s)	12 months ended December 31, 1997	12 months ended December 31, 1996	Percentage Change*	8 months ended December 31, 1996
		(unaudited)		
General and administrative	2,738	2,122	29	1,368
Interest on debt	962	463	108	406
Provision for site restoration	60	300	(80)	290
Depreciation and amortization	2,504	1,763	42	1,187

** Percentage change compares the 12-month periods ending December 31, 1996 and December 31, 1997.*

General and administrative expenses as a percentage of revenue dropped to 8.3 percent for the 12 months ended December 31, 1997 from 8.8 percent and 9.1 percent for the eight- and 12-month periods ended December 31, 1996. In addition to some increases in staff levels to manage the higher activity levels, the company employed the services of a number of consultants in 1997 to review and improve its administrative policies and procedures.

Interest expense increased in 1997 due to increased average debt levels. The provision for site restoration decreased in 1997 due to the recognition of costs to be incurred in respect of site restoration of an inactive plant.

RESULTS OF OPERATIONS

($000s except per share amounts)	8 months ended December 31, 1996	12 months ended April 30, 1996
Revenue	15,525	20,165
Operating margin	4,580	6,663
Funds from operations	2,726	3,735
Net income	603	60
Net income per share	0.07	0.007

Revenue for the eight-month period ended December 31, 1996 was 77 percent of revenue for the 12 month period ended April 30, 1996. The relative increase was due to greater volumes being processed through the company's expanded number of custom treating and waste processing plants, and to higher utilization rates for the expanded fleet of service rigs.

CCS' operating margin for the eight months ended December 31, 1996 was 30 percent of revenue compared 33 percent of revenue for the year ended April 30, 1996. This apparent decline in operating margin in the eight-month period was the result of maintenance expenses incurred in the summer months not being covered by high revenues generated in the winter months.

General and administrative expense was 8.8 percent of revenue for the eight months ended December 31, 1996 compared to 8.5 percent of revenue for the year ended April 30, 1996. The slight

EXPENSES

($000s)	8 months ended December 31, 1996	12 months ended April 30, 1996
General and administrative	1,368	1,723
Interest on debt	406	690
Provision for site restoration	290	30
Depreciation and amortization	1,187	1,441

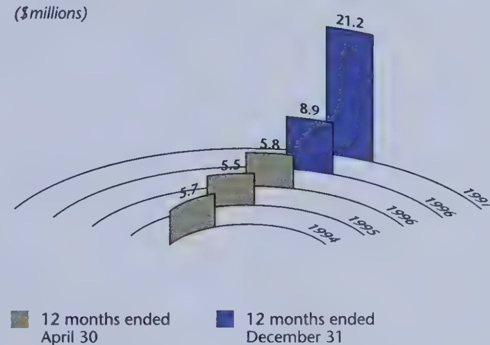
increase in general and administrative expenses as a percent of revenue was due to the fact that certain fixed costs were incurred which have little relationship to the amount of revenue earned in the fiscal period. Interest expense for the eight month period ended December 31, 1996 was 59 percent of the amount incurred for the year ended April 30, 1996. Higher debt levels were offset by lower interest rates.

The provision for site restoration for the year ended April 30, 1996 due to the recognition of costs to be incurred in respect of site restoration of an inactive plant. Depreciation and amortization increased on a relative basis due to the greater number of assets in service during the period.

Net income for the year ended April 30, 1996 was reduced by the writedown of costs associated with the Rotary Kiln Thermal Oxidizer.

Capital Expenditures

($millions)



CCS invested over $21 million in its businesses in 1997 to acquire new equipment, build new plants and facilities and expand its geographic area of operations.

LIQUIDITY AND CAPITAL RESOURCES

A large portion of the company's 1997 capital spending program was financed with bank borrowings that were repaid with the proceeds from the issuance of special warrants in December 1997. The company enters 1998 with a strong balance sheet and a debt to equity ratio of 0.26:1. The company's 1998 capital spending program is planned to be approximately equal to cash flow from operations. The company has available a long-term line of credit with a Canadian chartered bank in the amount of $15 million. In addition, the company has a short-term operating line of credit in the amount of $10 million. At December 31, 1997 the company had utilized $6 million of the long-term line of credit and $4.6 million of the short-term line of credit. Accounts receivable increased substantially during the fourth quarter of 1997 due to the opening of the Unity cavern facility in October and the acquisition of seven service rigs in November.

ENVIRONMENTAL REGULATION AND ENFORCEMENT

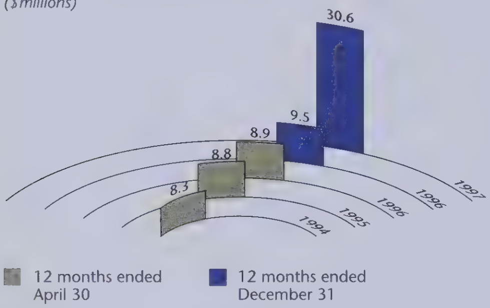
CCS earns treatment and disposal income by providing services to customers that reduce their risks and enable them to comply with regulatory standards and public expectations. CCS is therefore dependent upon environmental regulations and their enforcement. The company does not anticipate relaxation in regulatory standards and would benefit from a rising of those standards.

RISK ASSESSMENT

There are risks and liabilities associated with custom oil treatment and oily waste disposal. CCS mitigates these risks through the use of technology, the maintenance of its equipment and facilities, selection and training of personnel and operating procedures and standards that are among the highest in its sector. CCS conducts rigorous evaluations and audits of its facilities and operations, undertakes risk assessment evaluations and holds appropriate levels of the applicable forms of liability insurance.

Common Shareholders' Equity

($ millions)



During 1997 CCS strengthened its balance sheet with proceeds from the issue of special warrants, increasing shareholders' equity to more than $30 million.

YEAR 2000 COMPLIANCE

Over the last 18 months, the company has replaced its financial accounting and information systems. Part of the implementation process for the new systems was to ensure they had the capability to handle the Year 2000. The company is also in the process of assessing the impact of Year 2000 on its operations, computerized field equipment and its customers and suppliers. At this point, management does not believe any material exposure to the Year 2000 issue exists. However, this will not be known for certain until after the completion of the assessment process.

1998 BUSINESS OUTLOOK

1997 was the company's most successful year in terms of volume of activity and profitability of operations. In addition, the company's financial position and flexibility was strengthened with the issuance of special warrants in December 1997.

The company is in a solid position to continue growing both revenue and earnings. All indications are that oil and gas exploration and production activity in 1998 will not match 1997 record levels. However, strong activity, relative to historic levels, is anticipated. As a result, CCS anticipates continued strong demand for its facilities and services in 1998.

The company's revenue is driven by oil production, not exploration, and is therefore less commodity price sensitive than other oil field services, such as contract drilling. The company has significant exposure to natural gas production activities through its fleet of service rigs, which operate in natural gas-prone areas of Alberta and British Columbia. Natural gas related activity is expected to be high in 1998 in response to upcoming transportation capacity increases. Heavy oil development activity, to which CCS has an exposure primarily through its three treatment and disposal facilities in southern Saskatchewan, is experiencing downward price pressure as a result of supply and demand imbalances. This is resulting in reductions of planned heavy oil development drilling activity. As a result, heavy oil production is expected to flatten out over the next two to three years until the impact of recently announced investments in upgrading capacity and transportation is realized. Although many producers have reduced planned heavy oil expenditures in the near term, heavy oil production levels remain strong and heavy oil economics continue to look favourable for the long term.

CCS will continue to invest in new plants and expansions of existing facilities in areas where demand is strongest. The company anticipates substantial growth in earnings in 1998 with margins of between 30 and 40 percent.

The financial statements included in this annual report of Canadian Crude Separators Inc. for the 12-month period ended December 31, 1997 are the responsibility of the management of the company and have been approved by the Board of Directors. Management has prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Management has developed and maintains a comprehensive system of internal controls, which provide assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The independent chartered accounting firm of Ernst & Young have been appointed by the shareholders of the company to examine the financial statements and have expressed an opinion thereon. Their report is included with the financial statements. The Board of Directors has established an Audit Committee to review the financial statements with management and the auditors and has reported to the Board of Directors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

David P. Werklund
Chairman of the Board
and Chief Executive Officer
March 19, 1998

Robert T. German
Vice President, Finance

TO THE SHAREHOLDERS OF CANADIAN CRUDE SEPARATORS INC.,

We have audited the consolidated balance sheets of Canadian Crude Separators Inc. as at December 31, 1997 and December 31, 1996 and the consolidated statements of income and retained earnings and cash flows for the year ended December 31, 1997, the eight month period ended December 31, 1996 and the year ended April 30, 1996. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1997 and December 31, 1996 and the results of its operations and the changes in its financial position for the year ended December 31, 1997, the eight-month period ended December 31, 1996 and the year ended April 30, 1996 in accordance with generally accepted accounting principles.

Ernst & Young

Chartered Accountants

Calgary, Canada
March 19, 1998

As at December 31,	1997	1996
ASSETS *[notes 3 and 4]*		*[restated – note 1]*
Current		
Cash	$ –	$ 61,548
Accounts receivable	11,763,104	6,069,132
Due from affiliate *[note 14]*	24,371	58,178
Prepaid expenses	201,189	347,299
	11,988,846	6,536,157
Capital assets *[note 2]*	41,881,120	23,537,346
Investments	42,500	42,500
	$ 53,912,466	$ 30,116,003
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 3]*	$ 4,601,751	$ 3,329,514
Accounts payable and accrued liabilities	4,891,100	3,145,440
Income taxes payable	594,188	32,432
Current portion of long-term debt *[note 4]*	947,157	712,586
	11,034,196	7,219,972
Long-term debt *[note 4]*	6,000,000	9,357,677
Preferred shares *[note 5]*	1,147,018	1,147,018
Deferred income taxes	4,733,697	2,518,293
Future site restoration	413,966	353,966
Contingency *[note 6]*		
Shareholders' equity		
Share capital *[note 7]*	7,414,665	5,790,828
Special warrants *[note 8]*	15,281,461	–
Contributed surplus	812,009	812,009
Retained earnings	7,075,447	2,916,240
	30,583,607	9,519,077
	$ 53,912,466	$ 30,116,003

See accompanying notes

On behalf of the Board:

Director

Director

Consolidated Statements of Income and Retained Earnings

		12 months ended December 31, 1997	8 months ended December 31, 1996	12 months ended April 30, 1996
			[restated – note 1]	[restated – note 1]
REVENUE				
	Treatment and Disposal division	$ 19,291,169	$ 10,073,306	$ 13,519,357
	Well Servicing division	13,870,661	5,452,156	6,645,597
		33,161,830	15,525,462	20,164,954
	Operating expenses	21,015,204	10,945,091	13,502,071
	Operating margin	12,146,626	4,580,371	6,662,883
EXPENSES				
	General and administrative	2,738,230	1,368,302	1,723,329
	Interest on long-term debt	797,064	319,750	536,409
	Interest on short-term debt	164,754	86,233	153,687
	Interest on preferred shares	84,240	56,390	84,202
	Future site restoration	60,000	290,000	30,000
	Depreciation and amortization	2,503,651	1,186,859	1,440,689
		6,347,939	3,307,534	3,968,316
	Income before the following	5,798,687	1,272,837	2,694,567
	Write-down of assets and deferred costs *[note 9]*	–	–	(2,381,988)
	Gain on sale of assets *[note 9]*	1,773,997	–	–
	Income before income taxes	7,572,684	1,272,837	312,579
	Income taxes *[note 11]*			
	Current	1,170,850	24,000	430,000
	Deferred	2,242,627	646,000	(177,000)
		3,413,477	670,000	253,000
	Net income for the period *[note 10]*	4,159,207	602,837	59,579
	Retained earnings, beginning of period	2,916,240	2,313,403	2,253,824
	Retained earnings, end of period	$ 7,075,447	$ 2,916,240	$ 2,313,403

See accompanying notes

Consolidated Statements of Cash Flow

	12 months ended December 31, 1997	8 months ended December 31, 1996	12 months ended April 30, 1996
OPERATING ACTIVITIES		*[restated – note 1]*	*[restated – note 1]*
Net income for the period	$ 4,159,207	$ 602,837	$ 59,579
Add (deduct) non-cash items			
Depreciation and amortization	2,503,651	1,186,859	1,440,689
Future site restoration	60,000	290,000	30,000
Write-down of assets and deferred costs	–	–	2,381,988
Gain on sale of assets before tax	(1,773,997)	–	–
Current tax on sale of assets	660,897	–	–
Deferred income taxes	2,242,627	646,000	(177,000)
	7,852,385	2,725,696	3,735,256
Change in non-cash working capital balances *[note 12]*	(3,206,841)	(1,082,545)	249,564
	4,645,544	1,643,151	3,984,820
FINANCING ACTIVITIES			
Issuance of long-term debt	23,437,000	3,336,000	3,075,000
Long-term debt repayments	(26,560,106)	(482,524)	(2,232,375)
Issuance of share capital and special warrants	16,878,100	24,000	13,931
	13,754,994	2,877,476	856,556
INVESTING ACTIVITIES			
Purchase of capital assets	(14,160,837)	(6,385,268)	(5,813,399)
Acquisition of service rigs *[note 13]*	(7,000,000)	–	–
Investment tax credits	–	(30,000)	276,500
Proceeds on disposal of capital assets	2,087,409	222,589	348,004
Current tax on sale of assets	(660,897)	–	–
Purchase of investments	–	–	(5,000)
	(19,734,325)	(6,192,679)	(5,193,895)
Decrease in cash position	(1,333,787)	(1,672,052)	(352,519)
Cash position, beginning of period	(3,267,966)	(1,595,914)	(1,243,395)
Cash position, end of period	(4,601,753)	(3,267,966)	(1,595,914)
Cash position comprised of			
Cash	–	61,548	65,171
Bank indebtedness	(4,601,753)	(3,329,514)	(1,661,085)
	$ (4,601,753)	$ (3,267,966)	$ (1,595,914)

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the company have been prepared by management in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

These financial statements present the retroactive adoption of the Canadian Institute of Chartered Accountants Handbook Section 3860 entitled "Financial Instruments - Disclosure and Presentation". Under Section 3860, if an issuer of a financial instrument can be compelled to settle the instrument in cash it must be classified as a liability.

During the year ended April 30, 1995, the company issued redeemable, retractable Series A Preferred Shares (see note 5). Prior to the adoption of Section 3860 these preferred shares were presented as shareholders' equity. Under Section 3860 these preferred shares are a liability and dividends thereon are accrued and recorded as interest expense.

The adoption of Section 3860 results in the reclassification of $1,147,018 from share capital to a liability as at December 31, 1996 and a reclassification to interest expense on preferred shares from dividends paid on preferred shares of $56,390 for the eight months ended December 31, 1996 and $84,202 for the year ended April 30, 1996.

Capital assets

Capital assets are recorded at cost. Assets are amortized over their estimated useful lives at the following annual rates:

Process facilities	5 percent declining balance
Cavern facility	units of total capacity used in a period
Service rigs	6.25 percent to 12.5 percent straight line
Automotive	30 percent declining balance
Furniture and equipment	20 percent to 30 percent declining balance
Buildings	5 percent declining balance

Investments

Investments are carried at the lower of cost and market. Writedowns occur when there has been an other than temporary decline in value.

Financial instruments

The company has financial instruments consisting of a bank operating line, bank loans, term loans, conditional sales contracts, capital loans and preferred shares. The carrying value of these instruments approximates fair value unless otherwise stated.

Income taxes

The company follows the deferral method of tax allocation under which the income tax provision is based on the income reported in the accounts. Under this method, the company makes full provision for income taxes which have been deferred principally as a result of claiming capital cost allowance in excess of that provided in the accounts and the recognition of investment tax credits.

Site restoration

The company provides for future restoration on all its facilities based on a 20-year estimated useful life. Costs are estimated by company personnel based on a review of each facility, with appropriate consideration for industry standards and existing conditions. Costs are net of estimated salvage values. These costs are subject to measurement uncertainty and it is reasonably possible that changes in future conditions could require a change in the recognized amount.

2. CAPITAL ASSETS

		Cost	Accumulated Depreciation and Amortization	Net Book Value
DECEMBER 31, 1997				
	Process and cavern facilities	$ 28,463,599	$ 4,199,021	$ 24,264,578
	Service rigs	15,347,498	1,992,995	13,354,503
	Automotive	1,882,333	791,574	1,090,759
	Furniture and equipment	842,858	369,574	473,284
	Buildings	2,786,032	535,685	2,250,347
	Land	447,649		447,649
		$ 49,769,969	$ 7,888,849	$ 41,881,120

		Cost	Accumulated Depreciation and Amortization	Net Book Value
DECEMBER 31, 1996				
	Process facilities	$ 18,510,775	$ 3,512,171	$ 14,998,604
	Service rigs	8,030,275	893,451	7,136,824
	Automotive	1,372,288	872,798	499,490
	Furniture and equipment	580,818	292,265	288,553
	Buildings	472,831	148,605	324,226
	Land	289,649	–	289,649
		$ 29,256,636	$ 5,719,290	$ 23,537,346

3. BANK INDEBTEDNESS

The demand operating line bears interest at bank prime or at the bankers acceptance rate plus 1.0 percent, at the company's option. A general assignment of book debts, assignment of insurance on processing facilities, fixed charge on all major assets and a floating charge over all the assets of the company have been pledged as collateral. Subsequent to year end the company's operating line of credit was increased to $10 million. At December 31, 1997 $4.6 million had been utilized.

4. LONG-TERM DEBT

	1997	1996
Bank loan bearing interest, at prime per annum or at bankers acceptance rate plus 0.875 percent, at the company's option. The average effective rate during 1997 was 5.5 percent. The loan facility is a revolving loan which is reviewed annually and notwithstanding this, the loan has been shown as being fully repayable January 1, 1999. The facility can be extended or converted to a term loan at the option of the bank. A general assignment of book debts, assignment of insurance on processing facilities, fixed charge on all major assets and a floating charge over all the assets of the company have been pledged as collateral for the bank loan. Subsequent to year end the available loan facility was increased to $15 million.	$ 6,000,000	$ 8,398,000
Conditional sales contract on the Rotary Kiln Thermal Oxidizer repayable in monthly instalments of $46,675 including interest at 12 percent per annum, maturing April 1, 1998.	192,970	650,886
Term loan bearing interest at 10 percent per annum, maturing November 30, 1998. A subordinated debenture creating a second floating charge on all the assets of the company has been pledged as collateral. This loan was fully repaid in February, 1998.	750,000	750,000
Capital leases repayable in monthly instalments bearing interest at 6.8 percent per annum, maturing February 1998. The leased assets have been pledged as collateral.	4,187	170,711
Term loan	–	100,666
	6,947,157	10,070,263
Less: current portion	947,157	712,586
	$ 6,000,000	$ 9,357,677

Repayments of long-term debt and capital lease obligations are due as follows:

1998	$ 947,157
1999	6,000,000
	$ 6,947,157

5. PREFERRED SHARES

Authorized

Unlimited number of preferred shares, issuable in series.

Issued

		Shares	Amount
PREFERRED SHARES, SERIES A			
	Issued for oilfield equipment	98,000	$ 294,000
	Issued for conversion of debt (net of costs)	292,000	853,018
	December 31, 1997 and 1996	390,000	$ 1,147,018

The Series A Preferred Shares are redeemable, retractable, bear a fixed cumulative dividend of $0.216 per share per annum and are convertible to common shares on the basis of one common share for each preferred share. As the holder of the preferred shares has signed a letter of intent to not redeem the shares until after January 1, 2000 the preferred shares have been presented as a long-term liability.

6. CONTINGENCY

The company is involved in a number of legal disputes in the ordinary course of business, none of which are expected to result in any material loss to the company.

7. SHARE CAPITAL

Authorized

Unlimited number of common shares.

Issued

		Shares	Amount
COMMON SHARES			
	April 30, 1996	8,970,626	$ 5,766,828
	Issued for debt repayment	15,000	24,000
	December 31, 1996	8,985,626	5,790,828
	Issued on exercise of options	30,780	92,340
	Issued for debt repayment	15,000	31,500
	Issued on exercise of options	500,000	1,500,000
	December 31, 1997	9,531,406	$ 7,414,668

Options

The following options for the acquisition of common shares are outstanding at December 31, 1997:

Number	Exercise Price Per Share	Expiration Date
469,020	$ 3.00	June 18, 1998
30,000	$ 3.00	March 7, 2000
180,000	$ 2.00	February 8, 2002
50,000	$ 4.00	July 30, 2002
60,000	$ 5.10	September 5, 2002

8. SPECIAL WARRANTS

On December 4, 1997, the company issued a total of 3,049,880 special warrants for gross consideration of $16,011,870 less $730,387 issue costs, net of taxes. Each warrant entitled the holder to acquire, at no additional cost, one common share. The special warrants were all exercised on March 5, 1998 (see note 16).

9. NON-RECURRING ITEMS

During the period ended December 31, 1997, the company realized a gain of $1,773,997 before tax, primarily on the sale of its two producing oil wells. The wells were sold for cash proceeds of $1,950,313.

During the year ended April 30, 1996, it was determined that operations of the Rotary Kiln Thermal Oxidizer would be terminated and that the asset would be written down to the estimated net realizable value resulting in a write off for $2,381,988.

10. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. For purposes of the calculations, the weighted average number of shares outstanding for the period ended December 31, 1997 was 9,081,669 (December 31, 1996 – 8,978,375, April 30, 1996 – 8,960,024). Basic earnings per share for the period ended December 31, 1997 is $0.458 (December 31, 1996 – $0.067, April 30, 1996 – $0.007).

Fully diluted earnings per share for the period ended December 31, 1997 is $0.402. Fully diluted earnings per share for the period ended December 31, 1996 and April 30, 1996 have not been presented as they were anti dilutive.

11. INCOME TAXES

Income tax expense varies from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rates for each of the periods due to the following differences:

	December 31, 1997	December 31, 1996	April 30, 1996
Corporate tax rate	44.6%	44.6%	44.6%
Provision for income taxes at statutory tax rate	$ 3,377,417	$ 568,000	$ 140,000
Increase in income taxes due to:			
Large corporations tax	39,000	24,000	27,000
Expenses not deductible for tax purposes	–	78,000	86,000
Other	(2,940)	–	–
	$ 3,413,477	$ 670,000	$ 253,000

12. CHANGE IN NON-CASH WORKING CAPITAL BALANCES

Changes in non-cash working capital balances are comprised of the following:

	December 31, 1997	December 31, 1996	April 30, 1996
Accounts receivable	$ (5,694,172)	$ (1,388,739)	$ (975,288)
Prepaid expenses	146,110	(159,785)	(58,750)
Accounts payable and accrued liabilities	1,745,660	574,144	1,264,838
Due from affiliate	33,805	14,005	(72,183)
Income taxes payable	561,756	(122,170)	90,947
	$ (3,206,841)	$ (1,082,545)	$ 249,564

13. ACQUISITION

On November 1, 1997, the company acquired seven service rigs and related spare equipment from a private company for $7,000,000. All operations management personnel and rig crews previously employed by the vendor continued their employment with the company.

14. RELATED PARTY TRANSACTIONS

The amount due from an affiliated company, Werklund Enterprises Ltd., a company owned by the majority shareholder of Canadian Crude Separators Inc., is non-interest bearing and due on demand.

During the period this company charged fees to Canadian Crude Separators Inc. for the use of premises and equipment in the amount of $56,873 (December 31, 1996 - $60,269, April 30, 1996 – $30,433). Also during the period, the company acquired certain pieces of equipment from Werklund Enterprises Ltd. at a cost of $162,325. These transactions are based on the fair value of services provided or assets exchanged.

15. SEGMENTED INFORMATION

The company operates in one business segment, the oil and gas service industry. Substantially all of its revenue and income are derived in Alberta and Saskatchewan.

16. SUBSEQUENT EVENT

In December, 1997 the company issued 3,049,880 special warrants at a price of $5.25 per special warrant. Each special warrant entitled the holder to receive one common share without payment of any consideration in addition to the issue price of such special warrants. On February 19, 1998, the company filed a final prospectus with various securities commissions to qualify the distribution of up to 3,049,880 common shares of the company issuable upon exercise of the special warrants. On February 27, 1998, the company gave notice to all special warrant holders that all conditions had been met and that each special warrant was deemed, in accordance with the terms of the warrant indenture, to be converted into one common share effective March 5, 1998.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Supplementary Information

FOUR YEAR REVIEW OF OPERATIONS

($000s except per share amounts)	12 months ended December 31 1997	12 months ended December 31 1996 (unaudited)	12 months ended April 30 1996	12 months ended April 30 1995	12 months ended April 30 1994
Revenue	33,162	23,272	20,165	17,910	12,622
Expenses					
Operating	21,015	16,585	13,502	11,659	7,526
General and administrative	2,738	2,122	1,723	1,551	1,066
Depreciation and amortization	2,504	1,763	1,441	897	699
Interest on debt	962	463	690	651	567
Net income (loss)	4,159	(697)	60	144	1,660
Per share (basic)	0.46	(0.08)	0.01	0.02	0.19
Funds from operations	7,852	4,018	3,735	3,790	3,500
Per share (basic)	0.86	0.45	0.42	0.43	0.42
Capital expenditures	21,161	8,874	5,813	5,456	5,684
Long-term debt	6,947	10,070	7,217	6,374	5,401
Common shareholders' equity	30,584	9,519	8,892	8,819	8,344

DIRECTORS

David P. Werklund
Chairman of the Board and
Chief Executive Officer
Canadian Crude Separators Inc.
Calgary, Alberta

Robert W. Sparrow
Businessman
Calgary, Alberta

Brian J. Evans
Partner
Cook Duke Cox
Calgary, Alberta

Ronald A. Begg
President and Director
Working Ventures Canadian Fund Inc.
Toronto, Ontario

J. Sherrold Moore
Consultant
Calgary, Alberta

OFFICERS

David P. Werklund
Chairman of the Board and
Chief Executive Officer

D. Alec McDougall, P. Eng.
President and Chief Operating Officer

Robert T. German, C.A.
Vice President, Finance

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Website: www.cdncrude.com

BANKERS

Toronto Dominion Bank
Calgary, Alberta

AUDITORS

Ernst & Young
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Alberta Stock Exchange
Symbol - CCR

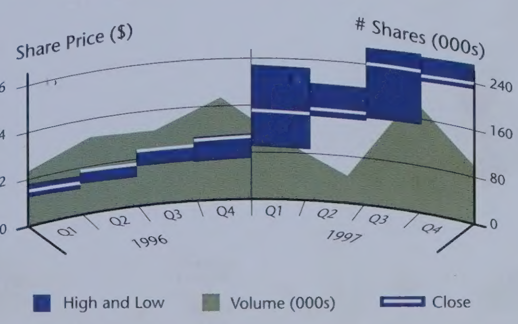
INVESTOR RELATIONS

Robert T. German
Direct Line: (403) 231-1103
Fax: (403) 261-5612

NOTICE OF ANNUAL MEETING

The annual meeting of shareholders will be held at 3:00 p.m. on Wednesday, May 13, 1998 in the Cardium Room of the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta.

Share Trading



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